Short-term credit to big companies

†1522. SHRI RAVI SHANKAR PRASAD:
SHRI RAJ MOHINDER SINGH MAJITHA:

Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that short-term credit to big companies by Public Sector Banks in the country is provided at the rate of 7.5 to 9 percent whereas the Prime Lending Rate is 12.75 to 13.25 percent.

(b) if not, the details thereof; and

(c) the categories of companies treated by bank as big companies?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL): (a) and (b) Effective from October 18, 1994, the Reserve Bank of India (RBI) has deregulated the interest rates on advances above Rs. 2 lakhs, including the housing loans and these interest rates are determined by the banks themselves with the approval of their Board of Directors subject to Benchmark Prime Lending Rates (BPLR) and spread guide lines. In order to enhance transparency in banks' pricing of their loan products, banks have been advised to fix their BPLR after taking into account (i) actual cost of funds, (ii) operating expenses and (iii) a minimum margin to cover regulatory requirement of provisioning/capital charge and profit margin and ensure that the BPLR truly reflects the actual cost. Individual banks, therefore, determine interest rates to be charged to a particular borrower subject to BPLR and spread guidelines. Given the prevailing credit market in India and the need to continue with concessionality for small borrowers, the practice of treating BPLR as the ceiling for loans upto Rs. two lakhs continues. However, Banks are free to determine the rates of interest without reference to BPLR and regardless of the size in respect of loans of purchase of consumer durables, loans to individuals against shares and debentures/bonds, other non-priority sector personal loans, etc.

RBI had stated that the outcome for interest rates depends mainly on the outlook for inflation, growth prospects and investment demand and it is not possible to predict short-run movements in interest rates. Data on BPLR and Sub-BPLR lending of PSBs are as follows:

BPLR of PSBs and Share of Loans Extended at Sub-BPLR by PSBs

(Percent)

Period	BPLR	Share of Sub-BPLR Lending in Total Lending
March 2005	10.25-11.25	50.6
March 2006	10.25-11.25	63.6
March 2007	12.25-12.75	76.3
September 2007	12.50-13.50	75.9
November 2007	12.50-13.50	NA

NA: Not available

†Original notice of the question was received in Hindi.

Short-term loans include 'Cast Credit'. 'Overdraft', 'Demand Loans' and 'Packing Credit'. RBI do not segregate interest rate in respect of big companies. However, as furnished by RBI, the details of Weightage Average Interest Rates on Short-term Loans extended by Public Sector Banks (PSBs) to Private Corporate Sector as on March 31, 2004, 2005 and 2006 are as under:

	Weightage Average Interest Rates on Short-term Loans by PSBs		
Organisation	2004	2005	2006
Private Corporate Sector	13.17%	12.75%	12.29%
All Large Borrowal Accounts	12.48%	12.17%	11.83%

Source: Basic Statistical Return (BSR): 1 Survey of RBI.

(c) Private Corporate Sector includes Public and Private Limited Companies but do not segregate big companies.

Proposed Indo-Japan treaty on currency swap

1523. SHRI B.J. PANDA:
MS. PRAMILA BOHIDAR:

Will the Minister of FINANCE be pleased to state:

(a) whether Japan proposes to enter into an agreement with India for currency swap;

(b) if so, the details thereof, indicating the benefits that would accrue to India out of this deal;

(c) whether Japan also proposes to fund the Delhi-Mumbai Freight Corridor; and

(d) if so, the details thereof?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL): (a) and (b) Negotiations between India and Japan are going on for putting in place a bilateral currency swap arrangement to take care of short term liquidity needs during a balance of payment crisis. The proposed swap arrangement is essentially a bilateral agreement between India and Japan to exchange a maximum amount US $ 3 billion for respective domestic currency to meet temporary Balance of payment (BOP) problems, by either country, for an initial period of 90 days at a specified interest rate payable on dollar amounts received and thereafter through renewals, upto a maximum period of 630 days.

(c) and (d) The proposal of Ministry of Railways namely "Dedicated Multi-model High Axle Load Freight Corridor with computerized train control system on Delhi-Mumbai and Delhi-Howrah routes" has been posed to Government of Japan seeking Official Development Assistance (ODA). However, the final decision regarding the sources of funding for this project, including Japanese assistance is under consideration of Ministry of Railways.